

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2044

ANSWERED ON:01.12.2000

SALE OF DOLLARS

KANTI SINGH;MD ANWARUL HAQUE;RAGHUVANSH PRASAD SINGH

Will the Minister of FINANCE be pleased to state:

(a) : whether the Reserve Bank of India has issued any fresh regulations recently that would force the exporters to sale a part of their dollar holdings in the open market in order to arrest the declining value of rupee; and

(b) : if so, the details thereof alongwith the impact of this on the foreign exchange of the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) : Reserve Bank of India introduced some measures on August 14, 2000 and on October 10, 2000, which are as follows:

(i) The balance in Exchange Earners Foreign Currency (EEFC) Accounts were required to be scaled down to 50 per cent of the amount held on August 11, 2000 by August 23, 2000.

(ii) Future accretions to EEFC accounts were restricted to 50 per cent of the eligible limits and were required to be maintained in liquid form as current/savings accounts.

(iii) Credit facilities available against EEFC accounts were held in abeyance till further notice.

(iv) The EEFC scheme was reviewed in the light of previous experience and feed back received from premier export organisations and the modifications were announced as a part of October 10, 2000 statement of mid term review of monetary and credit policy for the year 2000-01. Accordingly, in order to facilitate quick export related payments and reduced transactions cost, the EEFC entitlements were restored to their earlier levels. It was also decided that the EEFC accounts would hence forth be held in the form of current accounts and no credit facilities will be provided by banks against the EEFC balances.

The above measure, which augmented supply of foreign exchange in the market, supplements other measures taken by the RBI to contain exchange rate volatility.